2005 Annual Report

Challenger
ENERGY CORP

FORWARD-LOOKING STATEMENTS

This document contains forward-looking information on future production, project start-ups and future capital spending. Actual results or estimated results could differ materially due to changes in project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors or revisions. The information in this document also includes certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward-looking statements. These statements are based upon assumptions that are subject to significant risks and uncertainties. Because of these risks and uncertainties and as a result of a variety of factors, the actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward looking statements. Although the Company believes that the expectations reflected in forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

Statements contained in this document relating to future results, events and expectations are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements.

CORPORATE PROFILE

Challenger Energy Corp. is a Calgary Alberta, Canada based oil and gas exploration company which is currently focusing on high impact opportunities in Trinidad and has further opportunities offshore Nova Scotia.

The common shares of Challenger Energy Corp. trade on the Toronto Venture Stock Exchange (TSXV) under the symbol "CHA".

NOTICE OF ANNUAL GENERAL MEETING

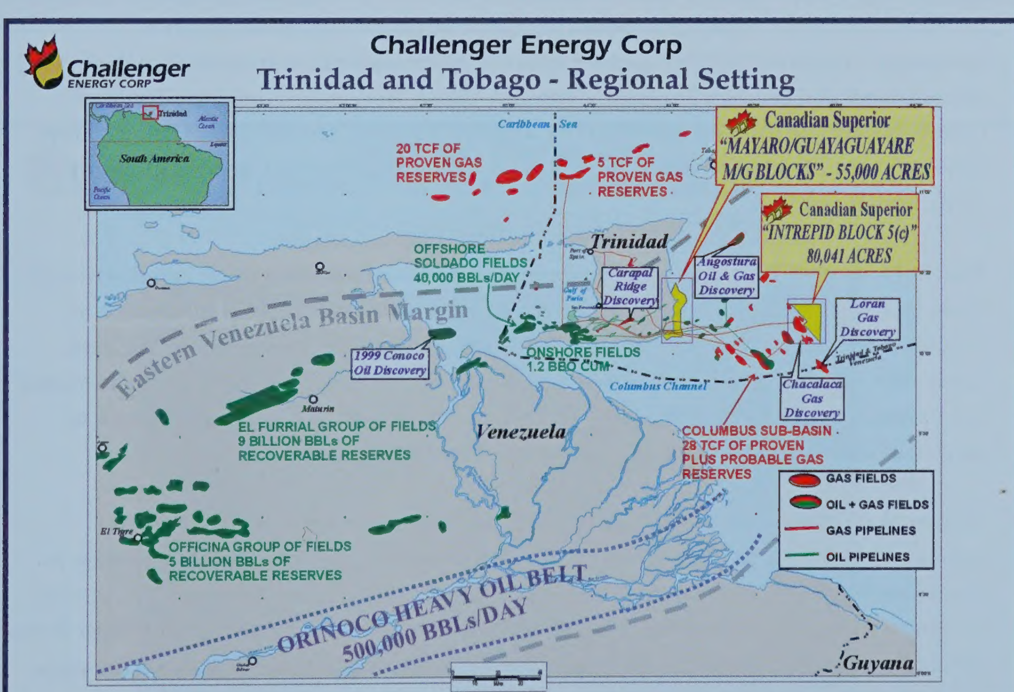
The Annual General Meeting of Shareholders will be held on May 30, 2006 at 11:00 am Calgary time, in the Viking Room (B), Calgary Petroleum Club, 319 - 5th Avenue SW, Calgary, Alberta T2P 0L5. All shareholders are encouraged to attend. Those unable to do so are requested to sign and return the proxy form which will be mailed to them.

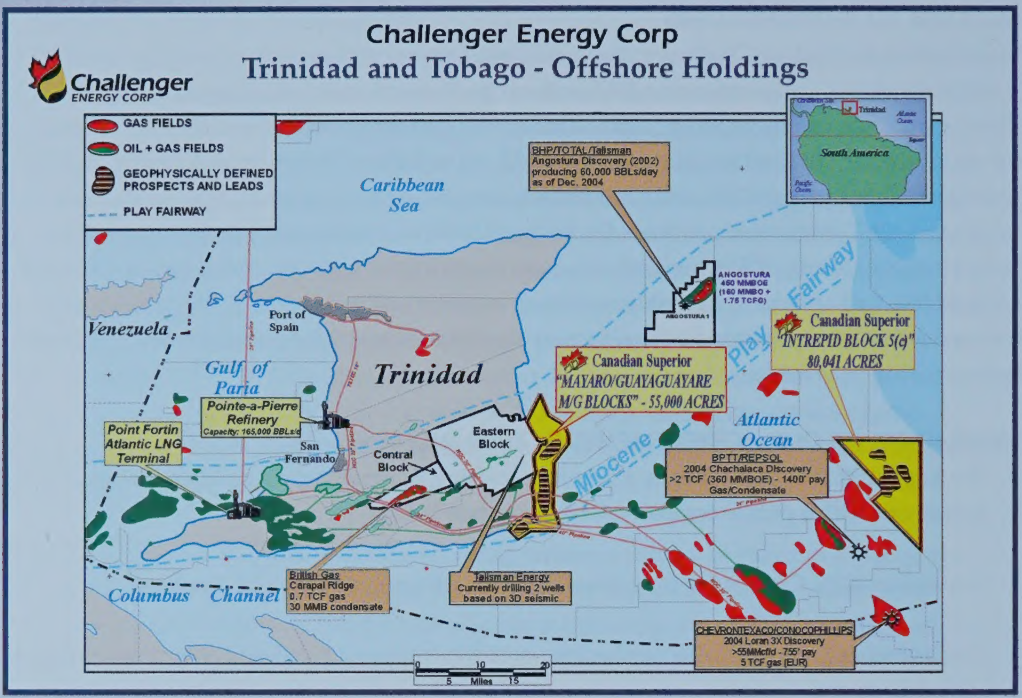
MESSAGE TO SHAREHOLDERS

On behalf of the team at Challenger Energy Corp., I am very pleased to provide you with a summary of our achievements in 2005 and our go forward plan with Canadian Superior Energy Inc. ("Canadian Superior", TSX, AMEX: SNG) to drill offshore Trinidad and Tobago on one of the best natural gas plays in the world, on or before September or October of 2006. During the latter part of 2005, after completing our go-public transaction, we commenced trading on the Toronto Venture Stock Exchange (TSXV) and subsequent to the year-end we completed the raising of $19.5 million in equity financing to fund our operations in Trinidad. I would like to thank our shareholders for their support and we are committed to moving forward into 2006 and beyond with a conservative disciplined financial approach. 2006 will be an exciting year for us.

HIGHLIGHTS OF OUR ACHIEVEMENTS IN 2005 INCLUDE:

- On August 29, 2005, Challenger, a private company, entered into an amalgamation agreement with a public company, Global Express Energy Inc.
- In October 2005, Challenger completed a private placement raising $1.2 million.
- On December 1, 2005, Challenger became a public company through a reverse takeover of Global Express.
- On December 12, 2005, Challenger began trading on the Toronto Venture Stock Exchange (TSXV) under the stock symbol "CHA".



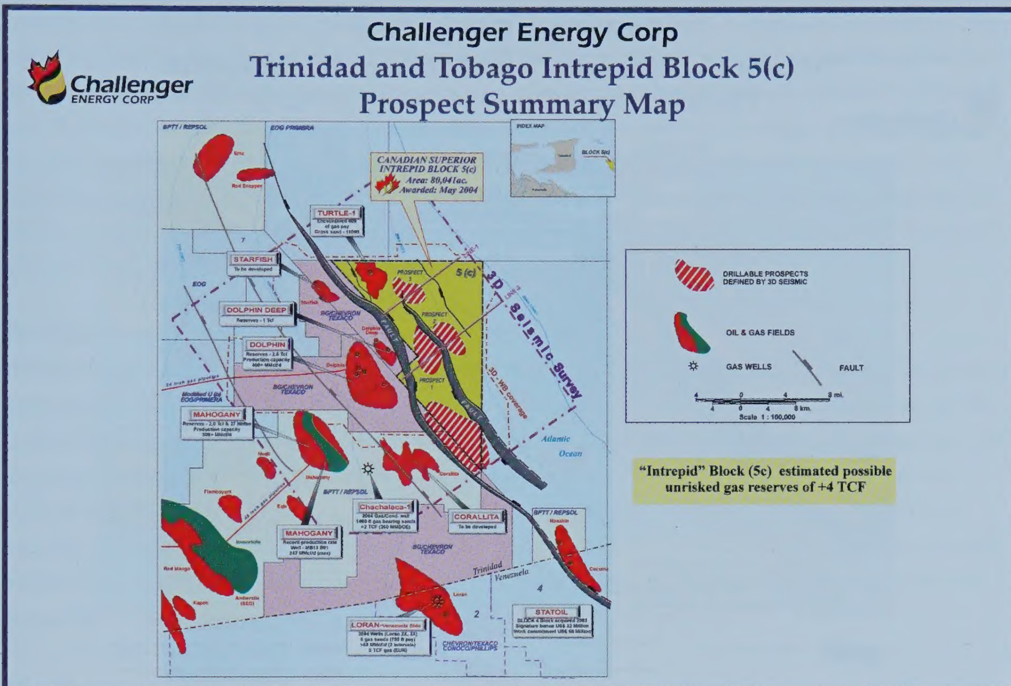


Prior to Challenger becoming a public company in 2005, three notable agreements were executed that have established our core focus.

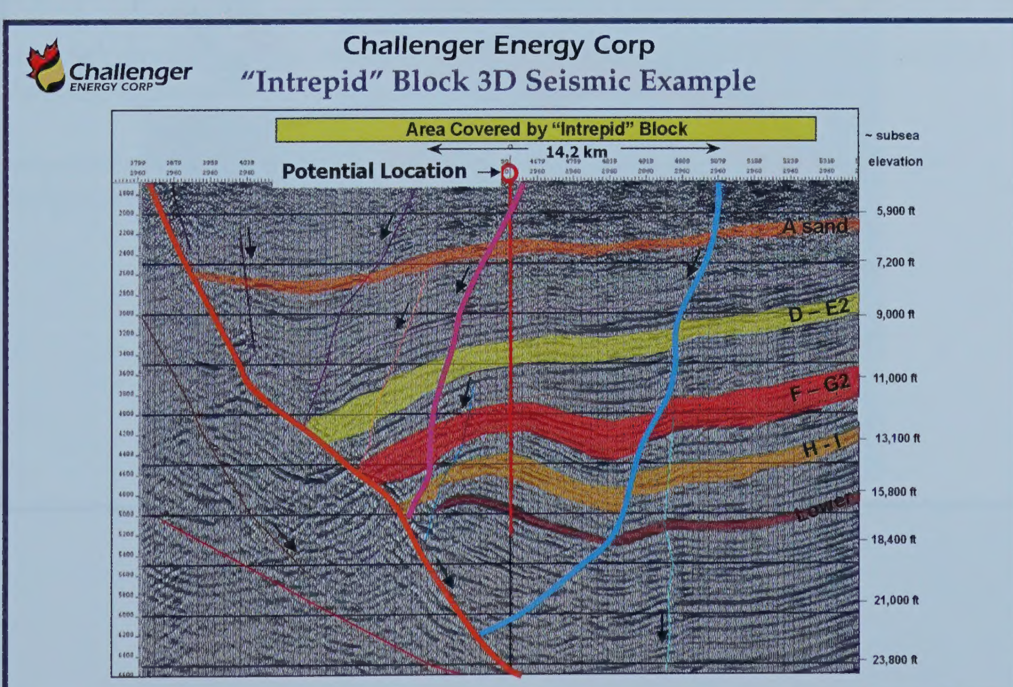
- In November 2004, Challenger entered into a participation agreement as a non-competitive financial industry partner with Canadian Superior with respect to the development of Canadian Superior's Intrepid "Block 5(c)" located offshore Trinidad. Challenger will be funding one-third of Canadian Superior's initial cost of drilling three wells offshore Trinidad on Block 5(c) to obtain 25% of the revenue Canadian Superior earns from Block 5(c).

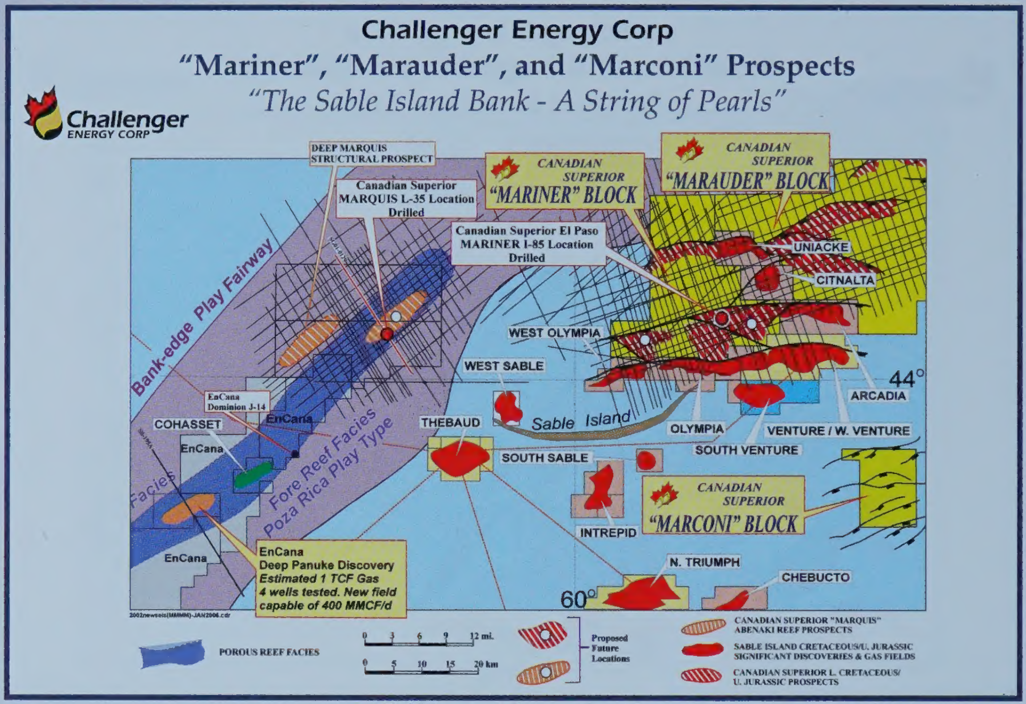
- Also in November 2004, Challenger entered into a financial participation agreement with Canadian Superior to have the opportunity to participate with Canadian Superior on Canadian Superior's Mayaro and Guayaguayare Bay lands located offshore Trinidad. Under this agreement Challenger may pay one-third of Canadian Superior's costs related to two wells Canadian Superior may drill on the Mayaro and Guayaguayare block to receive 25% of Canadian Superior's revenues from this block.

- Also in November 2004, Challenger entered into a farm-out agreement, which has subsequently been amended, whereby Challenger has the opportunity to participate in Canadian Superior's next Mariner test well, offshore Nova Scotia. To earn a 25% interest in Canadian Superior's Mariner Block, Challenger may farm-in by paying one-third of the cost of the next Mariner well. Challenger has the further right to participate on the same terms on Canadian Superior's Marauder and Marconi Blocks, offshore Nova Scotia.

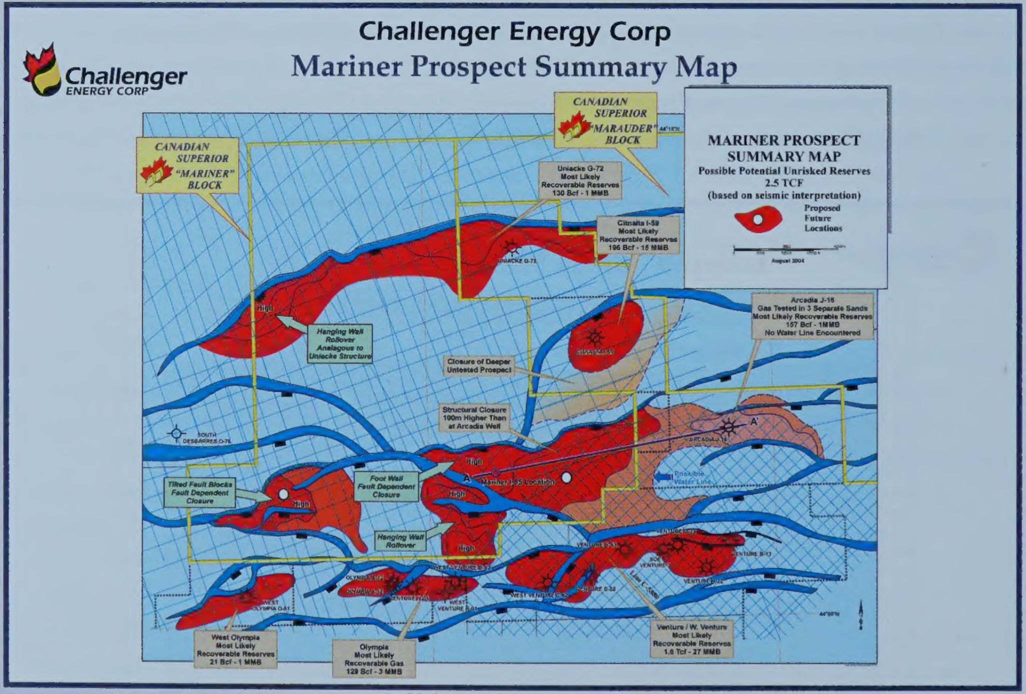


We are pleased to report that on March 19, 2006, the operator of Block 5(c), Canadian Superior, entered into a firm multi-well drilling contract for the Kan Tan IV Semi-Submersible Offshore Drilling Rig managed by A. P. Moller-Maersk ("Maersk"), of Copenhagen, Denmark and owned by Beijing Zhiyuan Industries Company Limited ("Beijing Zhiyuan"), of Beijing, China. Beijing Zhiyuan is a member of the SINOPEC Group (NYSE: SNP) of companies, and





Offshore Nova Scotia



Offshore Nova Scotia

both Maersk and Beijing Zhiyuan are truly world class companies. Canadian Superior will be bringing this rig into Trinidad and Tobago with no other oil and gas companies involved in the contracting of this offshore drilling rig, at a very favorable day rate, honoured by Maersk and Beijing Zhiyuan, negotiated by Canadian Superior several months ago, as compared to day rates which have gone up considerably. Trinidad and Tobago is a very economic and important source of North America's natural gas supply. This rig will commence drilling of two back-to-back wells for Canadian Superior and ourselves offshore Trinidad on "Intrepid" Block 5(c) on or before September or October of 2006.

TRINIDAD AND TOBAGO

Offshore Trinidad is a highly desirable oil and gas basin. Offshore Trinidad has multiple large exploration and development opportunities as evidenced by recent drilling successes in the Columbus Basin where Block 5(c) is located. It also has well developed, and developing, LNG facilities and capacity, and ready access to international markets. 80% of North America's LNG is supplied from Trinidad, and some of the largest producing wells in the world are located in Trinidad. 15 of British Petroleum's top 25 producing wells world-wide are located in Trinidad in close proximity to where we will be drilling. In Trinidad and Tobago natural gas at the wellhead is currently selling near Henry Hub pricing.

The "Intrepid" Block 5(c) is comprised of 80,041 acres located about 96 kilometers (60 miles) off the east coast of the island of Trinidad with water depths in the range of 150 to 450 meters (500 to 1,500 feet) and all wells in Block 5(c) will be drilled from the semi-submersible drilling rig, with the first two wells in water depths of about 245 meters (800 feet). These prospects have been estimated to potentially contain over 4 TCF of natural gas and condensate. Structures of similar size are located in the immediate vicinity of "Intrepid" Block 5(c).

OUTLOOK

Accordingly 2006 will be a very exciting year for Challenger. We are looking forward to assisting Canadian Superior with our drilling in Trinidad, in this truly "World-Class Basin". We would again like to thank shareholders for your tremendous support!

Respectfully submitted on behalf of the Management, Staff and Directors of Challenger Energy Corp.

CHALLENGER ENERGY CORP.

Neil MacKenzie

Neil MacKenzie
President and Chief Executive Officer
March 31, 2006

The following discussion and analysis ("MD&A") is management's assessment of the historical financial and operating results of Challenger Energy Corp. (the "Company" or "Challenger") and should be read in conjunction with the audited financial statements of the Company for the Reporting Period, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Readers should be aware the following MD&A relates only to the year ended December 31, 2005 as the Company was incorporated on August 6, 2004, and there is no prior comparative period. The date of this MD&A is March 31, 2006.

Additional information relating to the Corporation is available on SEDAR at www.sedar.com. Challenger is listed on the TSX Venture Exchange under the symbol "CHA".

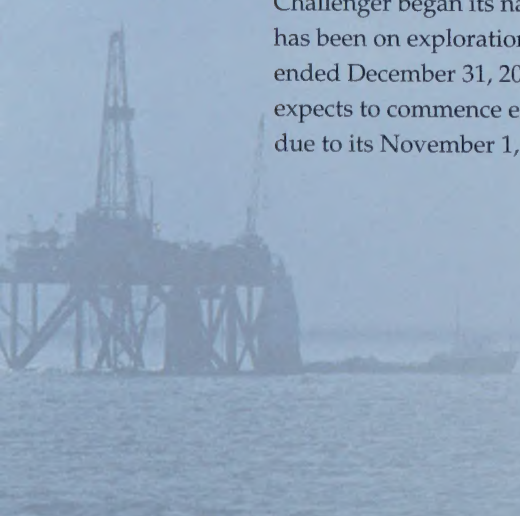
FORWARD-LOOKING STATEMENTS

This disclosure includes forward-looking information on future production, project start-ups and future capital spending. Actual results or estimated results could differ materially due to changes in the project schedules, operating performance, demand for oil and gas, commercial negotiations or other technical and economic factors or revisions. This disclosure also includes certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward-looking statements. These statements are based upon assumptions that are subject to significant risks and uncertainties. As a result of these risks and uncertainties and a variety of factors, the actual results, expectations, achievements or performance may differ materially from those anticipated and indicated by these forward looking statements. Although the Company believes that the expectations reflected in forward-looking statements are reasonable, it can give no assurances that the expectations of any forward-looking statements will prove to be correct.

CORPORATE OVERVIEW

Challenger Energy Corp. was incorporated on August 6, 2004 pursuant to the provisions of the Canada Business Corporations Act. Between August 6, 2004 and August 31, 2005, Challenger issued 15,500,000 Common Shares at prices of $0.05 per share and $0.10 per share for gross proceeds of $775,000. In September 2005, Challenger completed a private placement of 4,968,000 Common Shares at a price of $0.25 per share for gross proceeds of $1,212,000. In October 2005, the Company issued 250,000 Common Shares on the exercise of 250,000 options at $0.10. On December 1, 2005 Challenger Energy Corp. completed its reverse takeover (the "Global Transaction") of Global Express Energy Inc. ("Global Express" – TSXV: GXE.H). In February and March, 2006, the Company completed a private placement of 8,644,444 Units consisting of one Common Share and one half of one Common Share Purchase Warrant at a price of $2.25 per Unit for gross proceeds of approximately $19,500,000.

Challenger began its natural gas exploration and production business upon incorporation. Its primary emphasis has been on exploration for natural gas offshore Nova Scotia, and offshore Trinidad and Tobago. During the year ended December 31, 2005 the Company did not conduct any exploration activity on its holdings. The Company expects to commence exploration activity in the second half of 2006. The Company did earn production revenue due to its November 1, 2005 acquisition of a 10% interest in an Alberta natural gas well.



OVERALL PERFORMANCE – YEAR ENDING DECEMBER 31, 2005

For the year ended December 31, 2005 Challenger carried on minimal operations and had minimal revenues. As at December 31, 2005 Challenger had working capital of $1,056,537. The expenses of Challenger during 2005 related primarily to professional fees in connection with the Global Transaction (see "Material Transactions Affecting Financial Results").

The principal business of Challenger is the exploration for oil and gas offshore Nova Scotia, Canada and offshore Trinidad and Tobago. Challenger's business objective for the next 12 months is to fund its obligations under the participation agreement (the "Participation Agreement") it entered into with Canadian Superior Energy Inc. in November 2004. Challenger intends to exercise its right under the participation agreement entered into with Canadian Superior Trinidad and Tobago Ltd. in November 2004. The Company has raised approximately $19,500,000 in Q1 2006 to fund its obligations.

SELECTED FINANCIAL INFORMATION

Year ended December 31, 2005 ($CDN)		
		(Audited)
Total revenue	$	46,238
Net income (loss)	$	(476,153)
Per share basic	$	(0.03)
Per share diluted	$	(0.03)
Total expenses for the period	$	522,391
Total assets	$	1,741,936
Total liabilities	$	147,956
Share capital	$	2,019,750
Common shares outstanding		22,599,564

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

1. On August 6, 2004 Challenger was incorporated by Certificate of Incorporation issued pursuant to the provisions of the Canada Business Corporations Act.

2. In November 2004, Challenger entered into a participation agreement (the "Participation Agreement") with Canadian Superior Energy Inc. ("Canadian Superior"), a participation agreement with Canadian Superior (the "Participation Agreement") and a participation agreement (the "Trinidad Participation Agreement") with Canadian Superior Trinidad and Tobago Ltd., a wholly owned subsidiary of Canadian Superior.

Pursuant to the Participation Agreement, Challenger has the right to earn a 25% interest in Canadian Superior's revenue share of the contract between Canadian Superior and the government of the Republic of Trinidad and Tobago relating to the exploration and development of land designated as "Block 5(c)" located offshore the Republic of Trinidad and Tobago. Pursuant to Challenger's rights under the Participation Agreement, in order to fully earn its interest, Challenger is required to pay ⅓ of the costs and expenses paid by Canadian Superior relating to the wells and the work program described by the production-sharing contract.

The Trinidad Participation Agreement grants Challenger a right to participate for a ⅓ interest in the minimum work obligations of Canadian Superior Trinidad and Tobago Ltd. under a participation agreement entered into with the Petroleum Company of Trinidad and Tobago (Petrotrin) in respect of the Mayaro and Guayaguayare Bay lands located offshore the Republic of Trinidad and Tobago. In the event of commercial discovery, the participating interests in the Trinidad Participation Agreement are 70% Canadian Superior and 30% Petrotrin. Challenger will earn 25% of Canadian Superior's 70% revenue interest.

Pursuant to the Farm-Out Agreement, Challenger may also earn a 25% interest in Canadian Superior's Mariner project offshore Nova Scotia by payment of a ⅓ share of the cost and expenses associated with drilling the next test well on the Mariner project land. Provided that Challenger has earned an interest in the Mariner project pursuant to the Farm-Out Agreement, it shall have a further right to participate and earn a 25% interest by paying a ⅓ share of the costs of drilling wells on Canadian Superior's Marauder and Marconi project lands, both offshore Nova Scotia, Canada.

3. In October 2005, Challenger completed a private placement issue of 4,968,000 Common Shares at a price of $0.25 per Common Share for gross proceeds of $1,212,000. In addition, in October 250,000 Common Shares were issued on the exercise of 250,000 options at $0.10 per share.

4. In October 2005, Challenger acquired a 10% pooled working interest in section 17-35-1 W5M (from the surface to the base of the Pekisko formation) from Blueline Energy Ltd. for $525,000 in cash and 250,000 Common Share Purchase Warrants of Challenger exercisable at a price of $0.25 per share for a period of two years. The 15-17 Well has proved developed marketable gas reserves of 1,020 mmscf and NGLs of 67 mbbls based on a decline reserve analysis. Currently, the 15-17 Well is producing at a rate of 525 mscf/d (52.5 mscf/d net to Challenger).

5. On December 1, 2005 Challenger Energy Corp. ("Oldco") completed its reverse takeover (the "Global Transaction") of Global Express Energy Inc. ("Global Express" – TSXV: GXE.H). Pursuant to the transaction, Global Express and Oldco have amalgamated with the ongoing company continuing to carry on business under the name "Challenger Energy Corp." Former shareholders of Global Express and Oldco each received one Common Share of the amalgamated company for each one Common Share of Global Express and Oldco formerly held by them. Each outstanding convertible security of Oldco and Global Express was also exchanged for a comparable convertible security of Challenger, on a one-to-one basis. With the completed transaction, the total shares outstanding are 22,599,564 Common Shares.

6. The TSX Venture Exchange approved the commencement of trading of the Common Shares of Challenger beginning on December 12, 2005 under the symbol "CHA".

7. Subsequent to year-end, the Company entered into a "best efforts" financing agreement with Pritchard Capital Partners, L.L.C., as lead agent, to issue up to 7,644,444 units on a private placement basis at a price of CDN $2.25 per unit, subject to an over-allotment option, which would allow the Company to issue up to an additional 1,000,000 units. In February and March 2006 the Company issued all 8,644,444 units ("Units") at a price of CDN $2.25 per Unit for gross proceeds of approximately CDN $19.5 million, fully subscribing the financing. Each Unit consists of one Common Share of the Company and one half of one Common Share Purchase Warrant. Each whole Warrant entitles the holder thereof to acquire one Common Share at an exercise price of CDN $2.75 per share until December 31, 2006. The securities issued are subject to a four-month hold period under applicable securities laws. The Company intends to use the proceeds from the offering for general working capital and to pursue exploration activities offshore Trinidad and Tobago.

8. Subsequent to year-end, in Trinidad and Tobago the operator of Block 5(c), Canadian Superior, has entered into a firm multi-well drilling contract with the Kan Tan IV Semi-Submersible Offshore Drilling Rig, managed by Maersk Contractors and owned by Beijing Zhiyan Industries Company Limited of Beijing, China. The rig will commence drilling of two back-to-back wells offshore Trinidad on Canadian Superior's "Intrepid" Block 5(c) on or before September or October 2006.

RESULTS OF OPERATIONS

Challenger conducted no exploration activity during the year ended December 31, 2005. The majority of expenses were professional fees, incurred in connection with the administration of the Company and the Global Transaction, and compensation expense, related to Stock Options and Warrants issued.

LIQUIDITY

As at December 31, 2005 Challenger had cash of $1,147,876 and working capital of $1,056,537. Since inception, the expenses of Challenger have been paid out of working capital. The Company intends to finance its gas exploration activities through additional financings. As discussed earlier, subsequent to year end, the Company raised approximately $19.5 million in February and March 2006, for our commitments in 2006. There can be no assurance that additional financing will be available to the Company in the future or, if it is available, that it will be on terms acceptable to the Company.

Cash Used in Operations

Challenger had minimal natural gas production during the period ended December 31, 2005. Established revenue sources are not sufficient to generate cash flow to cover the Company's administrative and capital expenditure requirements. In addition, interest revenue generated from cash on hand is not sufficient to cover current general and administrative costs. Challenger was, and continues to be in a use of cash position. The Company expects to remain in a use of cash position as it begins its exploration activities. Cash for exploration activities is being provided from the February and March 2006 equity financings and may be provided by additional financings.

OUTSTANDING SHARE DATA

Challenger is authorized to issue an unlimited number of Common Shares without nominal or par value, of which as of the date hereof, which include all equity financings to date, there are 31,244,008 (Dec. 31, 2005 – 22,599,564) Challenger Common Shares outstanding after the above mentioned $19.5 million financings. The shares are fully paid and non-assessable. Challenger also is authorized to issue an unlimited number of Preferred Shares, issuable in series. In addition, as of the date hereof there are 3,720,000 Options and 5,822,222 Warrants (Dec. 31, 2005 – 1,800,000 Options and 1,500,000 Warrants) to purchase Common Shares outstanding.

On December 12, 2005, the Company's Common Shares commenced trading on the TSX Venture Exchange under the symbol "CHA". The following table summarizes the Common Shares issued from incorporation to the date hereof, which are the only class of shares outstanding.

Description	Number of Common Shares
Issued on August 6, 2004, on incorporation	1
Issue of common shares	9,999,999
Balance at December 31, 2004	10,000,000
Issue of common shares	5,500,000
Private placement	4,968,000
Options exercised	250,000
Challenger shares outstanding prior to Global Transaction	20,718,000
Shares of Global Express prior to reverse takeover	1,881,564
Shares issued re: reverse takeover of Global Express	20,718,000
Elimination of Global Express share capital	(20,718,000)
Balance at December 31, 2005	22,599,564
2006 private placement of common shares	8,644,444
Balance at date hereof – which include all financings to date	31,244,008

CAPITAL RESOURCES

In 2005, Challenger increased its capital resources by $645,740 as result of issuance of Common Shares for $1,512,000 related to Challenger's reverse takeover. $340,510 was used in the business and $525,750 was used for the necessary acquisition of assets required to go public (described above in section "Major Transactions Affecting Financial Results").

RELATED PARTY TRANSACTIONS

Mr. Greg Noval is the President and Chief Executive Officer of Canadian Superior and is the Chairman, a Director and a Shareholder of Challenger. Mr. Agustin Aparicio is employed by Challenger as the Company's exploration manager and is also employed by Canadian Superior Energy Inc. as a consultant. Therefore, the Participation Agreement, the Farm-Out Agreement and the Trinidad Participation Agreement may be considered related party transactions.

CRITICAL ACCOUNTING ESTIMATES

These financial statements are prepared in conformity with Canadian generally accepted accounting principles, which requires management to make informed judgements and estimates that affect reported amounts of assets and liabilities and disclosure of contingent assets, commitments and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the Reporting Periods.

OUTLOOK

At December 31, 2005 Challenger had positive working capital and sufficient capital resources to cover its expected current expenses and projected administrative expenses through 2005. Management is pleased with the success of its February and March 2006, financings raising approximately $19.5 million to fund anticipated obligations for its exploration in Trinidad and Tobago during 2006. Management is optimistic that opportunities for exploration for oil and gas offshore Trinidad and Tobago will attract further financing for the Company's growth as required.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in Canada is the responsibility of management.

Management is responsible for the integrity and objectivity of the financial statements. Where necessary, the financial statements include estimates, which are based on management's informed judgments. Management has established systems of internal control, which are designed to provide reasonable assurance those assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors has reviewed the financial statements with management and the auditors and has approved the financial statements.

MEYERS NORRIS PENNY LLP are independent auditors appointed by Challenger Energy Corp.'s shareholders. The auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express an opinion on the fairness of the presentation of the financial statements in accordance with Canadian generally accepted accounting principles.

Neil MacKenzie
President and Chief Executive Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Challenger Energy Corp. as at December 31, 2005 and 2004, and the statements of operations and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004, and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

CALGARY, CANADA
March 8, 2005

MEYERS NORRIS PENNY LLP
CHARTERED ACCOUNTANTS

Balance Sheets

As at December 31 (Canadian dollars)

	2005	2004
ASSETS		
Current		
Cash and cash equivalents	**$ 1,147,876**	$ 502,136
Accounts receivable	**53,636**	-
	1,201,512	502,136
Capital assets (Note 3)		
Petroleum and natural gas properties	**540,424**	-
	$ 1,741,936	$ 502,136
LIABILITIES		
Current		
Accounts payable and accruals	**$ 144,975**	$ 51,195
Asset retirement obligation (Note 10)	**2,981**	-
	147,956	51,195
Shareholders' equity		
Share capital (Note 4)	**2,019,750**	500,000
Warrants (Note 4)	**104,063**	-
Contributed surplus (Note 5)	**19,939**	-
Deficit	**(549,772)**	(49,059)
	1,593,980	450,941
Related party transactions (Note 9)		
Commitments and contingencies (Note 11)		
Subsequent events (Note 12)		
	$ 1,741,936	$ 502,136

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board of Directors:

Greg Noval

Neil MacKenzie

(Canadian dollars)

	For the Year Ended December 31, 2005	From Incorporation (August 6, 2004) to December 31, 2004
Revenue		
Oil and natural gas sales	**$ 48,808**	$ -
Royalties net of royalty tax credit	**(6,671)**	-
Net production revenue	**42,137**	-
Interest on deposits	**4,101**	2,136
	46,238	2,136
Expenses		
Professional fees	**324,217**	50,562
Stock based compensation	**102,158**	-
Office and administration	**38,453**	633
Listing fees	**30,817**	-
Depletion, depreciation and accretion	**17,901**	-
Production and operating costs	**6,162**	-
Miscellaneous	**2,683**	-
	522,391	51,195
Net loss for the period	**(476,153)**	(49,059)
Deficit at beginning of period	**(49,059)**	-
Global Express amalgamation (Note 1)	**(24,560)**	-
Deficit at end of period	**$ (549,772)**	$ (49,059)
Loss per share (Note 6)	**$ (0.03)**	$ (0.01)

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

(Canadian dollars)

	For the Year Ended December 31, 2005	From Incorporation (August 6, 2004) to December 31, 2004
Cash provided by (used for) the following:		
Operating activities		
Net earnings (loss)	**(476,153)**	(49,059)
Items not involved in cash for operations		
Depletion, depreciation and accretion	**17,901**	-
Stock-based compensation	**102,158**	-
Change in non cash working capital	**15,584**	51,195
	(340,510)	2,136
Financing activities		
Issue of common shares	**1,512,000**	500,000
Investing activities		
Acquisition of petroleum and natural gas assets	**(525,750)**	-
Increase in cash and cash equivalents	**645,740**	502,136
Cash and cash equivalents at beginning of period	**502,136**	-
Cash and cash equivalents at end of period	**1,147,876**	502,136

The accompanying notes are an integral part of these financial statements

NOTE 1: INCORPORATION AND NATURE OF OPERATIONS

Challenger Energy Corp. ("Challenger" or the "Company") is a natural gas exploration and production company with its primary emphasis on exploration of natural gas offshore Nova Scotia, Canada and offshore the Republic of Trinidad and Tobago. Challenger was incorporated on August 6, 2004 under the Canada Business Corporations Act. In November 2004, Challenger entered into a farm-out agreement (the "Farm-Out Agreement") with Canadian Superior Energy Inc. ("Canadian Superior"), a participation agreement with Canadian Superior (the "Participation Agreement") and a participation agreement (the "Trinidad Participation Agreement") with Canadian Superior Trinidad and Tobago Ltd., a wholly owned subsidiary of Canadian Superior.

Pursuant to the Participation Agreement, Challenger has the right to earn up to a 25% interest in a production-sharing contract between Canadian Superior and the government of the Republic of Trinidad and Tobago relating to the exploration and development of land designated as "Block 5(c)" located offshore the Republic of Trinidad and Tobago. Pursuant to Challenger's rights under the Participation Agreement, Challenger is required to pay ⅓ of the costs and expenses paid by Canadian Superior relating to certain wells and the work program described by the production-sharing contract. Challenger and Canadian Superior are related parties, as the Chairman and Director of Challenger is also the President, CEO and Director of Canadian Superior.

The Trinidad Participation Agreement also grants Challenger the right to finance ⅓ of Canadian Superior's minimum work obligations to obtain 25% of Canadian Superior's revenue share under a participation agreement entered into by Canadian Superior with the Petroleum Company of Trinidad and Tobago (Petrotrin) in respect of the Mayaro and Guayaguayare Bay lands located offshore the Republic of Trinidad and Tobago. In the event of commercial discovery, the participating interests in the Trinidad Participation Agreement are 70% Canadian Superior Trinidad and Tobago Ltd. and 30% Petrotrin.

Pursuant to the Farm-Out Agreement, Challenger may also earn a 25% interest in Canadian Superior's Mariner project offshore Nova Scotia by payment of a ⅓ share of the costs and expenses associated with drilling a test well on the Mariner project land. Provided that Challenger has earned an interest in the Mariner project pursuant to the Farm-Out Agreement, it shall have a further option to participate and earn a 25% interest by paying ⅓ share of the costs of drilling wells on Canadian Superior's Marauder project lands and Marconi project lands, both offshore Nova Scotia, Canada.

Reverse Takeover and Merger

On December 1, 2005 Global Express Energy ("Global"), an inactive reporting issuer formed under the laws of the Province of Alberta, and Challenger Energy Corp ("Oldco") completed an amalgamation of the two entities with the continuing entity retaining the name Challenger Energy Corp. Under the terms of the amalgamation agreement:

1. Each Oldco shareholder received, in exchange for each Oldco Share, one Common Share of Challenger;

2. Each Global Shareholder received, in exchange for each Global Share, one Common Share of Challenger; and

3. Each outstanding convertible security of Oldco and Global was exchanged for a comparable convertible security of Challenger, having regard for the one-to-one exchange ratio set forth above.

As the former shareholders of Oldco owned approximately 90% of Challenger, the transaction constituted a reverse takeover of Global. Global was a non-operating public enterprise with nominal net non-monetary assets and did not meet the definition of a business in CICA Handbook EIC-124; therefore the reverse takeover transaction did not constitute a business combination under the provisions of EIC-10. Accordingly, the transaction has been accounted for as a capital transaction rather than as a business combination.

The fair value of the assets and liabilities acquired at the transaction date are outlined in the following table:

Cash	$ 980
Indebtedness due to Global related party	(25,540)
Net liabilities acquired	$ (24,560)

These financial statements and the amounts reported for periods prior to December 1, 2005 represent a continuation of operations of Challenger. The number of shares of the Company issued prior to the reverse takeover has been retroactively restated to reflect the number of common shares issued in the reverse takeover transaction. The computation of earnings per share has also been adjusted for this transaction for all periods presented.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

Cash and Cash Equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Depletion and Amortization

Challenger Energy Corp. is engaged in the acquisition, exploration, development and production of oil and gas. The Company follows the full-cost method of accounting for oil and gas operations whereby all costs relating to the acquisition of, exploration for and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, costs of production equipment and overhead charges related to acquisition, exploration and development activities.

The costs are amortized using the unit-of-production method based upon the estimated proved oil and gas reserves, before royalties, as determined by the Company's independent engineers. Oil and gas reserves and production are converted into equivalent units based upon relative energy content.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

The Company performs a ceiling test in a two-stage test performed at least annually:

i) Impairment is recognized if the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties exceeds the estimated future cash flows from proved oil and gas reserves, on an undiscounted basis, using forecast prices and costs.

ii) If impairment is indicated by applying the calculations described in i) above, the Company will measure the amount of the impairment by comparing the carrying value of the oil and gas assets less accumulated depletion and amortization and the lesser of cost and fair value of unproven properties to the estimated future cash flows from the proved and probable oil and gas reserves, discounted at the Company's credit-adjusted risk-free rate of interest, using forecast prices and costs.

Proceeds received from disposals of properties and equipment are credited against capitalized costs unless the disposal would alter the rate of depletion and depreciation by more than 20%, in which case a gain or loss on disposal is recorded.

Amortization of other equipment is provided on a diminishing balance basis at rates ranging from 20% to 100% per annum. Gains and losses from disposals are included in income.

Future Income Taxes

The company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

Revenue Recognition

Revenue from the sale of oil and gas is recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including operating and maintenance costs, transportation, and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded.

Earnings Per Share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated based on the treasury stock method, which assumes that any proceeds obtained on the exercise of options or warrants would be used to purchase common shares at the average price during the period.

Asset Retirement Obligation

The fair value of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically when the related assets are acquired, installed, drilled or completed. Amounts recorded for the related assets are increased by the amount of these obligations. Over time the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. The amounts recorded for depletion and depreciation of petroleum and natural gas interest and equipment and the provision for asset retirement obligation are based on estimates. The ceiling test is based on estimates of proven reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates, in future periods, could be significant.

Stock-Based Compensation and Other Stock Based Payments

The Company measures all stock-based payments using the fair value method of accounting, and recognizes the compensation expense in the income statement in the period the stock-based payments are made, with an offsetting credit to contributed surplus.

Joint Ventures

The Company's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Corporation's proportionate interest in such activities.

NOTE 3: PETROLEUM AND NATURAL GAS PROPERTIES

In October 2005, the Company reached an agreement with Blueline Energy Ltd. ("Blueline"), to acquire a 10% pooled working interest in and to section 17-35-1-W5M (from the surface to the base of the Pekisko formation) from Blueline for $525,000 in cash and 250,000 common share purchase warrants of the Company exercisable at a price of $0.25 per share, which were valued at $29,594.

	Number
Petroleum and natural gas properties at August 6, 2004	-
Additions to December 31, 2004	-
Balance December 31, 2004	-
Additions to December 31, 2005	555,344
Add: Asset retirement obligation	2,735
Less: Depletion and depreciation	(17,655)
Balance December 31, 2005	540,424

The benchmark prices, on which the ceiling test is based, are as follows:

Year	AECO Spot CDN$/mmbtu	NGL CDN$/BBL
2006	9.75	54.68
2007	8.81	52.42
2008	8.30	50.60
2009	7.80	48.78
2010	7.55	46.96
2011	7.30	46.30

Benchmark prices increase at a rate of 1.5% per year for oil after 2011. Adjustments were made to the benchmark prices above, for purposes of the ceiling test, to reflect forward contracts the Company has in place, varied delivery points and quality differentials in the products delivered. For the year ended December 31, 2005 no ceiling test write-down was required.

NOTE 4: SHARE CAPITAL

a) Authorized:
Unlimited number of Class A and Class B voting common shares
Unlimited number of Class C non-voting common shares
Unlimited number of preferred shares

b) Issued share capital:

	Number	Amount
Common shares		
Issued on August 6, 2004, on incorporation	1	$ -
Issue of common shares	9,999,999	500,000
Balance at December 31, 2004	10,000,000	$ 500,000
Issue of common shares	5,500,000	275,000
Private placement	4,968,000	1,212,000
Options exercised	250,000	32,750
Challenger shares outstanding prior to Global transaction	20,718,000	2,019,750
Shares issued to Global (Note 1)	1,881,564	-
Common shares in issue at December 31, 2005	22,599,564	$ 2,019,750

At December 31, 2005, a total of 15,100,000 common shares were held in escrow. The schedule of release from escrow is as follows:

	Number
Common shares in escrow at December 31, 2005	15,100,000
January 9, 2006	(1,270,000)
March 9, 2006	(600,000)
June 9, 2006	(2,505,000)
September 9, 2006	(600,000)
December 9, 2006	(2,505,000)
Common shares in escrow at December 31, 2006	7,620,000
June 9, 2007	(1,905,000)
December 9, 2007	(1,905,000)
Common shares in escrow at December 31, 2007	3,810,000
June 9, 2008	(1,905,000)
December 9, 2008	(1,905,000)
Common shares in escrow at December 31, 2008	-

c) Preferred shares:
Preferred shares may be issued in one or more series, and the Directors are authorized to fix the number of shares in each series and to determine the designations, rights, privileges, restrictions, and conditions attached to the shares of each series.

d) Stock options:
The Company has adopted an incentive stock option plan whereby the Company may grant options to its directors, officers, employees, and consultants up to a maximum of 10% of the Company's issued and outstanding common shares. Such options are exercisable for a period of five years from the date of grant, are priced at the fair value of the shares at the time of the grant, and are included in compensation expense over the vesting period with an offsetting credit to contributed surplus.

	Number of Options	Weighted Average Exercise Price	Expiry (Years)
Balance, beginning of year	-	-	-
Granted	2,050,000	$ 0.12	5.0
Exercised	(250,000)	$ 0.10	4.5
Balance, end of year	1,800,000	$ 0.13	4.4

In respect to the 1,800,000 options outstanding, none were exercisable at December 31, 2005.

Details of stock options outstanding at December 31, 2005 are as follows:

Number	Exercise Price	Expiry Date	Exercisable
1,500,000	0.10	2010	-
300,000	0.25	2010	-
1,800,000			-

e) Warrants:
During the period from January 1, 2005 to December 31, 2005 the Company issued 1,000,000 common share purchase warrants to an officer of the Company, exercisable at weighted average price of $0.15 per common share. The warrants vested immediately on the issue date, and expire in January 2010. In addition, 250,000 common share purchase warrants were issued to another officer of the Company, exercisable at $0.25 per common share. These warrants vest over a period from the issue date to two years less a month, and expire two years from the issue date. An additional 250,000 common share purchase warrants were issued under an agreement with Blueline (Note 3). These warrants vested immediately, and expire two years from the issue date.

Details of warrants outstanding at December 31, 2005 are as follows:

	Number of Warrants	Fair Value	Weighted Average Exercise Price	Weighted Average Expiry (Years)
Balance at August 6, 2004	-	$ -	$ -	-
Warrants granted	-	-	-	-
Balance at December 31, 2004	-	-	-	-
Warrants granted	1,500,000	104,063	0.18	4.00
Balance at December 31, 2005	1,500,000	$ 104,063	$ 0.18	3.54

NOTE 5: CONTRIBUTED SURPLUS

Changes in contributed surplus are as follows:

Balance at August 6, 2004	$ -
Balance at December 31, 2004	-
Options granted	27,689
Options exercised	(7,750)
Balance December 31, 2005	$ 19,939

NOTE 6: LOSS PER SHARE

For the year ended December 31, 2005, the basic weighted average number of shares is 15,535,509 (2004 – 8,775,510). Diluted loss per common share has not been disclosed as the effect of common shares issuable upon the exercise of share options and warrants is anti-dilutive.

NOTE 7: STOCK-BASED COMPENSATION

During the period from January 1, 2005 to December 31, 2005, options on 2,050,000 common shares with a weighted average exercise price of $0.12 per share were granted to directors, officers, employees, and consultants. The options remaining at December 31, 2005 vest over a period of two years, and expire five years from the issue date. The weighted average fair value of the options issued was determined to be $0.05 per option. During the period, compensation expense of $27,689 was recognized with an offsetting credit to contributed surplus.

The weighted average fair value of each warrant was determined to be $0.09 and the total value attributed to warrants issued to officers of the Company (Note 4(e)) of $74,469 was recognized as compensation expense during the period. The total value attributed to warrants issued under the agreement with Blueline (Note 3) of $29,594 was recognized in the acquisition cost of petroleum and natural gas properties, with an offsetting credit to Share Capital.

The fair value of the options and warrants issued was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	3.5%
Expected volatility	50%
Expected life (years)	5
Expected dividends	-

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options and warrants.

NOTE 8: INCOME TAXES

	2005	2004
Future income liabilities		
Property and equipment	**62,288**	-
Future income tax assets		
Tax losses carried forward	**189,236**	16,489
Valuation allowance	**(126,948)**	(16,489)
Future income tax liability	**-**	-

The income tax recovery differs from the amount that would be expected by applying the current tax rates for the following reasons:

	2005	2004
Loss before taxes	**(460,303)**	(49,059)
Expected tax recovery	**154,754**	16,489
Tax effect of expenses not deductible for tax purposes:		
Valuation allowance	**(110,459)**	(16,489)
Stock based compensation	**(34,346)**	-
Other	**(9,949)**	-
Future income tax recovery	**-**	-

NOTE 9: RELATED PARTY TRANSACTIONS

Included in professional fees is $12,500 paid to a consultant who is also a shareholder of the Company. The professional services were conducted in the normal course of operations and measured at the market value, which is the amount of consideration agreed to by the related parties.

In respect to the acquisition described in Note 3, the beneficial owner of Blueline Energy Ltd. is also a shareholder of the Company.

As disclosed in Note 1, the Company has entered into agreements with Canadian Superior, which is a related party, as the Chairman and Director of the Company is also the Chairman, President and a Director of Canadian Superior. Also Agustin Aparacio, Challenger's exploration manager is a consultant for Canadian Superior Energy Inc. and may be considered an insider of Challenger. As a result of the foregoing related party transactions between Challenger and Canadian Superior related party transactions have occurred between Challenger and Canadian Superior and may occur in the future.

NOTE 10: ASSET RETIREMENT OBLIGATION

The Company has estimated the total undiscounted cash flows required to settle its asset retirement obligation to be approximately $5,000, which will be incurred between 2010 and 2012.

NOTE 11: COMMITMENTS AND CONTINGENCIES

In respect to the Block 5(c) Participation Agreement described in Note 1, the company will arrange for the transfer of USD $2.5 million to Canadian Superior on or before April 1, 2006. The Company is also obligated to pay on April 30, 2006 ⅓ of Canadian Superior's costs incurred to that date.

The Company shall also, not less than 10 business days prior to the scheduled spud date of the first exploration well, pay to Canadian Superior ⅓ of the anticipated drilling costs of such first exploration well. The spud date is anticipated to occur on or before September or October 2006.

Global Express was named as defendant in a lawsuit by National Income Protection Plan Inc. (formerly Assure Health Management), seeking to recover damages allegedly sustained by them as a result of breach of an implied term in the contract between the parties. Accordingly through the reverse takeover and a merger with Global Express, Challenger is a party to the litigation.

The Company has been indemnified by a third party for any costs or damages that may result from this claim. In the opinion of the Company and indemnifying third party, the action is without merit. The plantiff is seeking costs and damages in the amount of approximately $700,000 and the company and the indemnifying party are aggressively dealing with this matter. No amount has been accrued for this claim in the financial statements.

NOTE 12: SUBSEQUENT EVENTS

Subsequent to year-end, the Company entered into a "best efforts" financing agreement with Pritchard Capital Partners, L.L.C., in connection with the issuance and sale of up to $17,200,000 of the Company's common stock with an overallotment option for the sale of a further $2,250,000 of the stock, all at $2.25 a share ("the private placement").

Up to the date of these financial statements, the Company issued 8,644,444 units ("Units") under the private placement at a price of CDN $2.25 per Unit for gross proceeds of approximately CDN $19.5 million. Each Unit consists of one common share of the Company and one half of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder thereof to acquire one common share at an exercise price of CDN $2.75 per share until December 31, 2006. The securities issued are subject to a four-month hold period under applicable securities laws.

The Company intends to use the proceeds from the offering for general working capital and to pursue exploration activities offshore Trinidad and Tobago in 2006.

Subsequent to year end, the Company issued 1,920,000 stock options at CDN $2.25, which were granted to directors, officers, employees, and consultants.

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Chairman and Director

Neil MacKenzie (Calgary)
President, CEO and Director

James Brown (Maui, Hawaii)
Director

Joe Chatoor (Trinidad and Tobago)
Director

Mike Hibberd (Calgary)
Director

MANAGEMENT TEAM

Greg Noval, B.Comm., B.A. (Econ.), LLB
Chairman

Neil MacKenzie
President and Chief Executive Officer

Manjeet Dhillon, B.Comm., C.A.
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